



SERIAL SYSTEM LTD

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 199202071D)

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## THE SALE OF BUSINESSES OF SERIAL MICROELECTRONICS PTE LTD AND SERIAL AMSC MICROELECTRONICS CO., LTD.

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### 1. INTRODUCTION

- 1.1 The board of directors ("**Board**") of Serial System Ltd ("**Company**") wishes to announce that Serial Microelectronics Pte Ltd ("**SMPL**"), a wholly owned subsidiary of the Company, and Serial AMSC Microelectronics Co., Ltd ("**Serial AMSC**"), a 70% owned subsidiary of SMPL, have entered into business assignment agreements on 2 June 2015 ("**Agreements**") with Ryosan Company, Limited ("**Vendor**"), a company incorporated in Japan and listed on the Tokyo Stock Exchange. Ryosan Company, Limited is an electronic distribution company, principally engaged in the sale and distribution of semiconductors, electronic components and electronic equipment.

### 2. OVERVIEW OF THE BUSINESSES

- 2.1 The Businesses sold to the Vendor comprise (i) the distribution rights of products manufactured by On-Semiconductor ("**On-Semi**") in Japan, and (ii) customer assignments and business backlogs relating to the products of On-Semi in Japan. (collectively known as the "**Assets**")

### 3. CONSIDERATION

- 3.1 Under the terms of the Agreements, in consideration for the transfer by SMPL and Serial AMSC to the Vendor of the Assets, the Vendor shall pay to SMPL and Serial AMSC, a total consideration of approximately US\$3,200,000 (the "**Consideration**"), in cash.

The Consideration shall be paid as follows:

- (i) first payment of US\$1,600,000 will be paid on 3<sup>rd</sup> June 2015;
- (ii) second payment of US\$240,000 will be paid on 2<sup>nd</sup> July 2015 ; and
- (iii) the balance of approximately US\$1,360,000, less adjustments pursuant to the terms and conditions of the Agreements, will be paid on 3<sup>rd</sup> August 2015.

The Consideration was arrived at after arm's length negotiations on a willing-buyer willing-seller basis, after taking into account, *inter alia*, information regarding SMPL and Serial AMSC's financial results and position, and operations in relation to the Assets.

The net profit arising from the Assets transferred is approximately US\$1.4 million, including all closure and related costs attributable to the sale of businesses.

#### 4. RATIONALE FOR THE SALE OF BUSINESSES

- 4.1 The Board, after reviewing the financial results and position, and operations of SMPL and Serial AMSC in relation to the Assets since its date of acquisition of Serial AMSC on 1 February 2013, has decided it is in the best interests of the Company to dispose of the Assets. Further, the sale proceeds from the sale of businesses will enhance the Group's cash resources and better utilise by supporting its existing business operations. The proceeds from the sale of businesses will be used for the Group's working capital requirements and/or for the repayment of the Group's bank borrowings

#### 5. FINANCIAL EFFECTS

The *pro forma* financial effects of the sale of businesses, based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2014, are set out below.

The *pro forma* financial effects are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of the Company or the Group after completion of the sale of businesses. Transaction costs for the sale of businesses are ignored for computation purposes.

##### 5.1 Net Tangible Assets

Assuming that the sale of businesses was completed on 31 December 2014, the effect on the net tangible assets ("**NTA**") per share of the Group would be as follows:

	Before the sale of businesses	After the sale of businesses
NTA (US\$'000)	112,762	115,021
Number of issued shares (excluding treasury shares) ('000)	895,842	895,842
NTA per share (US\$ cents)	12.59	12.84

##### 5.2 Earnings per Share

Assuming that the sale of businesses was completed on 1 January 2014, the effect on the earnings per share ("**EPS**") of the Group would be as follows:

	Before the sale of businesses	After the sale of businesses
Profit attributable to shareholders (US\$'000)	16,085	18,237
Number of issued shares (excluding treasury shares) ('000)	895,842	895,842
EPS (US\$ cents)	1.80	2.04

**6. RELATIVE FIGURES OF THE SALE OF BUSINESSES UNDER CHAPTER 10 OF THE LISTING MANUAL**

**6.1 Relative Figures Pursuant to Rule 1006 of the Listing Manual**

The relative figures in respect of the sale of businesses, as computed on the bases set out in Rule 1006 of the Listing Manual and based on the latest announced unaudited consolidated financial statements of the Group for the period ended 31 March 2015, are as follows:

<b>Bases of calculation</b>		<b>Size of relative figures (%)</b>
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable as this relates to sale of businesses
(b)	The net profits <sup>(1)</sup> attributable to the assets acquired or disposed of, compared with the Group's net profits.	9.9
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	2.5 <sup>(2)</sup>
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable

**Note:**

- (1) "Net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) The market capitalisation of the Company is determined by multiplying the Company's total number of issued shares of 895,841,914 (excluding treasury shares) by S\$0.1943 (US\$0.1441), being the weighted average share price of the Company's shares on 2 June 2015, being the market day preceding the date of this announcement.

**7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the directors, controlling or substantial shareholders of the Company have any direct or indirect interest in the above transaction, other than through their respective shareholdings in the Company.

**8. DOCUMENTS FOR INSPECTION**

Copies of the business assignment agreements are available for inspection during normal business hours from 9 a.m. to 5 p.m. at 8 Ubi View #05-01, Serial System Building, Singapore 408554 for a period of three (3) months from the date of this announcement.

**By Order of the Board**

Dr. Derek Goh Bak Heng  
Executive Chairman and Group Chief Executive Officer

3 June 2015